



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

April 27, 2005

Ken Sagar, Treasurer  
Iowa Democratic Party  
5661 Fleur Drive  
Des Moines, IA 50321

**Response Due Date:**  
**May 27, 2005**

Identification Number: C00035600

Reference: September Monthly Report (8/1/04-8/31/04)

Dear Mr. Sagar:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **An adequate response must be received at the Commission by the response date noted above.** An itemization of the information needed follows:

-Schedule A of your report discloses one or more contributions from an organization, which is not a political committee registered with the Commission (see attached). In addition, the contribution from the **Democratic Governors' Club** appears to exceed the limits set forth in the Act. 2 U.S.C. §441a(f) precludes a political committee from receiving contributions from a person or another committee in excess of \$5,000 in a calendar year. Also, in order to make contributions to your committee, organizations which are not political committees must either: 1) establish a separate account which contains only those funds permitted under the Act, or 2) demonstrate through a reasonable accounting method that the organization has received sufficient funds subject to the limitations and prohibitions in order to make the contribution. 11 CFR §102.5(b)

If your committee does not finance non-federal activity, the receipt of the referenced contribution(s) may violate the limitations and prohibitions of 2 U.S.C. §§441a(f) and 441b. If your committee engages in both federal and non-federal activity, either through a separate non-federal account, or one account that finances activity in connection with both federal and non-federal elections, your committee may be in violation of 11 CFR §102.5(a).

25036802713

In order to be in compliance with the Act, your committee must: 1) refund to the donor or transfer-out to a non-federal account, the amount in excess of \$5,000 within 60 days of receipt and provide written notice to the person making the contribution of the option of receiving a refund. Any request from a donor for a refund must be honored. And 2) determine the extent to which your committee received funds that are not permissible, and refund or transfer-out the prohibited funds.

To the extent that your committee has received prohibited funds, you may have to make a refund. If within 30 days of receipt you (1) transferred the prohibited amount to an account not used to influence federal elections, and (2) provided written notice to the person making the contribution of the option of receiving a refund, you may retain the contribution in an account not used to influence federal elections. Any request from a donor for a refund must be honored.

If the foregoing conditions for transfers to a non-federal account were not met within 30 days of receipt, the prohibited amount must be refunded. See 11 CFR §103.3(b)(1).

Please inform the Commission of your corrective action immediately in writing and provide a photocopy of your check for any transfer-out or refund. Should you choose to transfer-out or refund the funds, the Commission will presume the funds were impermissible, absent a statement from your committee to the contrary. Transfers-out and refunds should be disclosed on a Schedule B supporting Line 22 or 28 of the report covering the period during which they are

Although the Commission may take further legal action concerning the acceptance of prohibited and excessive contribution(s), your prompt refund or transfer-out will be taken into consideration.

-Schedule A of your report (see attached) discloses one or more contributions from an organization(s), which is not a political committee registered with the Commission. In order for your committee to accept contributions from unregistered organizations into accounts used to influence federal elections, your committee should take steps to insure that the contributor(s) used permissible funds to make the contribution(s) to avoid violating 2 U.S.C. §§441a(f) and 441b or 11 CFR §102.5(b). Under 11 CFR §102.5(b), organizations which are not political committees under the Act and choose to contribute to federal committees must either: 1)

2503302714

establish a separate account which contains only those funds permitted under the Act, or 2) demonstrate through a reasonable accounting method that the organization has received sufficient funds subject to the limitations and prohibitions in order to make the contribution.

If any apparently prohibited contribution in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. In addition, please clarify whether the contribution(s) received from the referenced organization(s) is permissible.

To the extent that your committee has received prohibited funds, you may have to make a refund. If within 30 days of receipt you (1) transferred the prohibited amount to an account not used to influence federal elections, and (2) provided written notice to the person making the contribution of the option of receiving a refund, you may retain the contribution in an account not used to influence federal elections. Any request from a donor for a refund must be honored.

If the foregoing conditions for transfers to a non-federal account were not met within 30 days of receipt, the prohibited amount must be refunded. See 11 CFR §103.3(b)(1).

Please inform the Commission of your corrective action immediately in writing and provide a photocopy of your check for any transfer-out or refund. Should you choose to transfer-out or refund the contribution(s), the Commission will presume the funds were impermissible if no statement from your committee provides information to the contrary. Transfers-out and refunds should be disclosed on a Schedule B supporting Line 22 or 28 of the report covering the period during which the transaction was made.

Although the Commission may take further legal action concerning the acceptance of prohibited contributions, prompt action by your committee in transferring-out or refunding the amounts will be taken into consideration.

-Schedule A of your report (see attached) discloses one or more contributions which appear to exceed the limits set forth in the Act. 2 U.S.C. §441a(f) and 11 CFR §110.1(c) prohibit a state, district or local party committee (combined) from receiving any contribution from a person or non-multicandidate political committee in excess of \$10,000 per calendar year.

25038802715

If any apparently excessive contribution in question was incompletely or incorrectly disclosed, you must amend your original report with the clarifying information.

If any contribution you received exceeds the limits, you may have to refund the excessive amount. The funds can be retained if within 60 days of receipt, (1) the excessive amount was properly reattributed to another person, such as a joint account holder, by obtaining signed written authorizations from each person making the contribution pursuant to 11 CFR 110.1(k)(3), and (2) the treasurer informs the person making the contribution that he or she may request the return of the excessive portion of the contribution if it is not intended to be a joint contribution. Any request from a donor for a refund must be honored.

Alternatively, the funds can be retained if within 60 days of receipt you (1) transferred the excessive amount to an account not used to influence federal elections, and (2) provided written notice to the person making the contribution of the option of receiving a refund. Any request from a donor for a refund must be honored.

If the foregoing conditions for reattributions or transfers to a non-federal account were not met within 60 days of receipt, the excessive amount must be refunded.

Please inform the Commission of your corrective action immediately in writing and provide a photocopy of your check for any transfer-out or refund. In addition, any reattributions should be reported as memo entries on Schedule A of the report covering the period during which the authorization for the reattribution is received. Any transfers-out or refunds should be disclosed on Schedule B supporting Line 22 or 28 of the report during which the transaction was made.

Although the Commission may take further legal action regarding the acceptance of an excessive contribution(s), prompt action by your committee to seek reattribution, transfer-out or refund the excessive amount will be taken into consideration.

-The totals listed on Lines 11(c), 15, 17, 18(a), 21(a)(i), 21(a)(ii), 21(b), and 22 Column B of the Detailed Summary Page(s) appear to be incorrect. Please be advised that you should add the "Calendar Year-to-Date" total from your previous report to the current "Total This Period" figure from

Column A to derive the correct Column B totals. Please amend your report and any subsequent reports that may be affected by this correction.

-On Schedule D of a previous amended report, the Amended June Monthly Report (5/1/04-5/31/04), received 3/4/05, you disclosed a debt(s) owed to the Iowa Democratic Party Non-Federal account. This obligation(s), however, has been omitted from this report. Please amend your report to include this debt(s) on Schedule D and Line 10 of the Summary Page. All debts and obligations must be disclosed until extinguished. 11 CFR §104.11

-Commission Regulations require that a committee disclose the identification of all individuals who contribute in excess of \$200 in a calendar year. (11 CFR §104.3(a)(4)(i)) Identification for an individual is defined as the full name, mailing address, occupation and name of employer. (11 CFR §100.12) Your report discloses contributions from individuals for which the identification is not complete.

You must provide the missing information, or if you are unable to do so, you must demonstrate that "best efforts" have been used to obtain the information. To establish "best efforts," you must provide the Commission with a detailed description of your procedures for requesting the information. Establishing "best efforts" is a three-fold process.

First, your original solicitation must include a clear and conspicuous request for the contributor information and must inform the contributor of the requirements of federal law for the reporting of such information. (11 CFR §104.7(b)(1))

Second, if the information is not provided, you must make one follow-up, stand alone effort to obtain this information, regardless of whether the contribution(s) was solicited or not. This effort must occur no later than 30 days after receipt of the contribution and may be in the form of a written request or an oral request documented in writing. (11 CFR § 104.7(b)(2))  
The request must:

- clearly ask for the missing information, without soliciting a contribution;
- inform the contributor of the requirements of federal law for the reporting of such information, and
- if the request is written, include a pre-addressed post card or return envelope.

25038802717



Third, if you receive contributor information after the contribution(s) has been reported, you shall either a) file with your next regularly scheduled report, an amended memo Schedule A listing all the contributions for which additional information was received; or b) file on or before your next regularly scheduled reporting date, amendments to the report(s) originally disclosing the contribution(s). (11 CFR §104.7(b)(4))

Please provide the missing information or a detailed description of your procedures for requesting the information. For more information on demonstrating "best efforts," please refer to the Campaign Guide.

-Schedule H4 of your report discloses disbursements for the **Administrative** category which use a ratio that is inconsistent with the ratio disclosed on Schedule H1 for the 2004 election cycle. The fixed ratio for the allocation of administrative, generic voter drive and exempt activity expenses should be the same for the full two-year election cycle. Please amend your report to clarify this apparent discrepancy.

Please note that if your non-federal account has overpaid your federal account because of this miscalculation, it will be necessary to immediately transfer these funds back to the non-federal account. While the Commission may take further legal action concerning any impermissible overpayments by the non-federal account, your prompt action will be taken into consideration.

-Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for **"net salary, salary, and salary, travel exp"**. Please be advised that pursuant to 11 CFR §300.33(c)(2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on Federal election activity or activities in connection with a Federal election must not be allocated between or among federal and non-federal accounts. Rather, only federal funds may be used. Further, the Commission concluded in Advisory Opinion 2003-11 that amounts spent for employee-specific "fringe benefits," consisting of health insurance, disability insurance, life insurance, retirement benefits and payroll taxes, fall into the category of compensated time.

Any reimbursement from your committee's non-federal account for this payment is not permissible and must be returned. Although the Commission may take further legal action regarding this improper allocation activity, your prompt action will be taken into consideration.

25038802718

-On Schedule H4 of your report, you have failed to include the purposes for almost all of the disbursements for administrative activities. All payments for administrative activities must include both an activity or event identifier and the purpose of the disbursement. Please amend your report to include the missing information.

-On Schedule H4, your allocated activity or event year-to-date total calculations for the **Administrative category** are incorrect. Allocated activity or event year-to-date totals for administrative, voter drive and exempt activity costs are derived by aggregating all disbursements during the calendar year for each separate category. Allocated activity or event year-to-date totals for fundraising and direct candidate support activities are derived by aggregating all disbursements during the calendar year within a specific event. These should be calculated by adding the latest disbursement for a category or event to the previous event year-to-date total for that category or event. This running event year-to-date total should be disclosed after each disbursement is listed. Please amend your report by providing the correct event year-to-date totals.

-Your report disclosed certain categories of financial activity that have been reflected on the wrong lines of the Detailed Summary Page. Contributions from individuals aggregating over \$200 and contributions from other political committee should be properly disclosed on a separate Schedule(s) A, supporting Line(s) 11(a)(i) and 11(c) of the Detailed Summary Page, not Lines 11(a)(i) and 17. Please refer to the instructions for each line when determining the proper categorization(s) for your next filing.

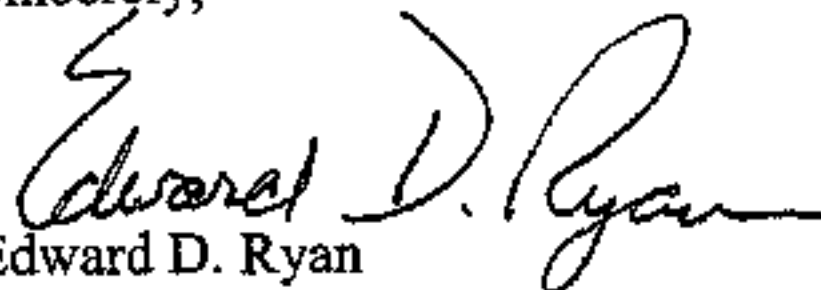
**Unlike previous election cycles, you will not receive an additional notice from the Commission on this matter.** Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. **Requests for extensions of time in which to respond will not be considered.** Failure to provide an adequate response by this date may result in an audit of the committee. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action.

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any

25038802719

questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1144.

Sincerely,

A handwritten signature in cursive script, appearing to read "Edward D. Ryan".

Edward D. Ryan  
Campaign Finance Analyst  
Reports Analysis Division

209

25038802720



Contributor Name	Date	Amount
Democratic Governors' Club	08/10/2004	\$25,000.00
Brian Quirk for State Representative	08/15/2004	\$500.00
Citizens for Kuhn	08/19/2004	\$500.00
Committee to Re-elect Don Shoultz	08/19/2004	\$500.00
Friends of Jim Lykam	08/19/2004	\$500.00
Mark Smith for Iowa House	08/19/2004	\$500.00
Reasoner for State Representative	08/17/2004	\$500.00
Wise Voters	08/17/2004	\$500.00
Committee to Elect Bruce Hunter	08/27/2004	\$500.00
Committee to Elect John Whitaker	08/27/2004	\$500.00
Davitt for House	08/30/2004	\$500.00
Friends for Russ Wiesley	08/02/2004	\$500.00
Friends for Russ Wiesley	08/12/2004	\$1,000.00
Gaskill for State Representative	08/20/2004	\$500.00
Mertz for Representative	08/20/2004	\$500.00
National Motor Club	08/16/2004	\$434.47
People for Pam Jochum	08/27/2004	\$500.00
Peterson for State Representative	08/16/2004	\$500.00
Polly Bukta Campaign Committee	08/27/2004	\$500.00
Sextro for Senate,Dave	08/17/2004	\$1,000.00
Swaim for House,Kurt	08/30/2004	\$500.00
Waterman for State Senate	08/09/2004	\$500.00

Contributor Name	Date	Amount	Report
Paul Johnson for Congress	06/30/04	\$5,000.00	2004 July Monthly
Paul Johnson for Congress	07/09/04	\$5,000.00	2004 August Monthly
Paul Johnson for Congress	08/30/04	\$5,000.00	2004 September Monthly
Paul Johnson for Congress	08/16/04	\$50.00	2004 September Monthly
Paul Johnson for Congress	08/30/04	\$80.00	2004 September Monthly
John J Hanrahan	08/17/04	\$25,000.00	2004 September Monthly

25038802721

25038802722